



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Monticello Field Office
P.O. Box 7
Monticello, Utah 84535

m/037/040

UTU-68060
(UT-090)
AUG 23 2002

Mr. Daniel Arima
Environmental Coordinator
U.S. Energy Corporation
877 North 8th West
Riverton, WY 82501

Re: Surface Management Site Inspection, U.S. Energy Corporation, Velvet Mine, UTU-68060 (M/037/040), San Juan County, Utah.

Dear Mr. Arima:

On August 20, 2002, this office inspected the surface facilities at your Velvet Mine. A number of compliance issues were noted during the inspection. Enclosed is a copy of the inspection report detailing the findings and outlining the work necessary to correct the deficient items.

Please notify us when you have completed the work. If you have any questions or if you would like to meet on site to go over these items, please contact Ted McDougall at (435) 587-1512.

Sincerely,

Patrick Madigan
Field Office Manager

Enclosure:
Site Inspection Report

cc: Doug Jensen, Utah Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Salt Lake City, UT 84114
(M/037/040)

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Monticello, Utah 84535-0007
(435) 587-1500

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File: UTU-68060
Office: (UT-090)

Date: 08/20/02
To: Minerals File UTU-68060
From: Ted McDougall, Geologist
Subject: Surface Management Site Inspection, U.S. Energy Corporation, Velvet Mine, UTU-68060 (M/037/040), San Juan County, Utah.

Date of Inspection: 08/20/02
Time of Inspection: 10:00 A:M
Participants: Ted McDougall and Jeff Brown
Legal Description: T. 31 S., R. 25 E., Section 03, SW¼
Mining Claims Involved: Velvet Group
Claimant/Operator: U.S. Energy Corporation

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Yesterday morning I received a phone call from Mr. Doug Jensen, Utah Division of Oil, Gas and Mining, informing me that he had recently done an inspection at the Velvet Mine and he noted that the structure supporting three transformers at the mine were in need of repair. I told Mr. Jensen that I would take a look at the transformers during the routine site inspection which was due for the Velvet Mine.

Jeff Brown, Monticello Field Office Hazardous Materials Specialist, accompanied me to the Velvet Mine. During the inspection we confirmed that the supporting structure for the three transformers was in need of repair. The transformers are resting on a platform which is supported by horizontal wood beams (timbers) spanning between two telephone poles. A vertical pole is attached to the bottom of the platform. The vertical pole is suspended and provides no support to the structure. The horizontal members are sagging badly and are beginning to split. The transformers are leaning and are stabilized by braided wire which is wrapped around all three transformers. Failure of the support structure would likely result in a spill of transformer oil. The transformers are tagged to certify that they contain no PCB's or that the PCB content

does not exceed the legal limits.

Two other transformers are present on a pole approximately 100 feet to the west. The supporting bracket for these transformers appears sound. However, below the transformers, we found a metal box which houses three reservoirs of oil. The caps to the reservoirs are missing and the oil is visible. The metal housing is not locked. It looks like the unit may be another type of transformer but no tags are apparent. It is recommended that the operator remove the oil. An alternative to removing the oil would be to have the oil tested by an independent lab and certified PCB free and, to have the reservoirs capped and the metal housing secured.

Various other containers with oils or other fluids were noted at the mine site. Spent motor oil was found in containers in the shop area. Other cans and drums containing fluids were found at various places on site. The door to the mine water treatment facility is down and containers with liquids and/or solid materials of unknown content are present. These materials need to be removed from the site.

General clean-up of the site is needed. The metal buildings on site are in disrepair. Metal sheeting and doors are down and debris, including insulation, is being blown onto adjacent public land. Much of the problem appears to be caused by vandals. Miscellaneous trash and discarded materials are scattered around the site. Old vent bags have been disposed of in the waste rock dump and are eroding from the piles.

Surface run-off water has piped through the waste rock dump and is cutting a channel in the fill slope. It is necessary that the dump be regraded to redirect run-off water to the north and into the drainage at the natural grade.

The gate at the decline adit is open. The gate should be secured to prevent public access into the mine.

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